

SENATE BILL 822

By Yarbro

AN ACT to amend Tennessee Code Annotated, Title 4;  
Title 7; Title 9; Title 10; Title 13; Title 45 and Title  
67, relative to economic development.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 4, Chapter 3, Part 7, is amended by  
adding the following as a new section:

(a) This section is known and may be cited as the "Support Micro-Businesses  
Act."

(b) As used in this section, "micro-business" means a business that is based in  
this state, independently owned and operated, and employs five (5) or fewer individuals.

(c)

(1) There is created the micro-business revolving loan fund program.

(2) The department shall, subject to appropriations, establish a micro-  
business revolving loan fund to provide low interest loans to community  
development financial institutions in order to provide funding for those lending  
organizations' loans to micro-businesses located within this state that generate  
economic growth and job creation within this state but that are unable to obtain  
adequate credit or adequate terms for credit. If the use of a community  
development financial institution is not practicable, then the department may  
provide low interest loans to the following other local community-based lending  
organizations:

(A) Small business lending consortia;

(B) Certified development companies;

(C) Providers of United States department of agriculture business and industrial guaranteed loans;

(D) United States small business administration loan providers;

(E) Credit unions; and

(F) Community banks.

(d) To be eligible to receive program funds, a lending organization must have established sufficient expertise to analyze micro-business applications for program loans, evaluate the creditworthiness of micro-businesses, and regularly monitor program loans. The lending organization shall review every program loan application in order to determine the feasibility of the proposed use of the requested financing by the micro-business applicant, the likelihood of repayment, and the potential that the loan will generate economic development and jobs in this state. The department shall identify eligible lending organizations through one (1) or more competitive statewide or local solicitations.

(e) The department shall direct program loans to minority-owned, women-owned, and other micro-businesses that have difficulty accessing traditional credit markets. Program loans to micro-businesses must be used for the creation and retention of jobs, as defined by the department in rule, including:

- (1) Working capital;
- (2) Acquiring or improving real property;
- (3) Acquiring machinery, equipment, property, or improvements; and
- (4) Refinancing debt obligations.

(f)

- (1) The department shall create two (2) categories of loans, as follows:

(A) A micro loan with a principal amount of less than twenty-five thousand dollars (\$25,000); and

(B) A loan with a principal amount of twenty-five thousand dollars (\$25,000) or more.

(2) Prior to receiving program funds, a lending organization must certify to the department that the loan complies with this section and rules promulgated pursuant to this section, and that the lending organization has satisfied its obligations pursuant to and in compliance with this section, program rules, and agreements entered into between the department and the lending organization.

(g) A lending organization shall not use more than twenty-five percent (25%) of the principal amount of program funds received from the department to fund a program applicant loan, unless the department establishes a higher allowable percentage by rule.

(h) With respect to its program loans, a lending organization may charge application, commitment, and loan guarantee fees pursuant to a schedule of fees adopted by the lending organization and approved by the department. A lending organization shall waive application fees for micro-business loans of less than five thousand dollars (\$5,000).

(i) The department shall conduct a study into the factors related to increasing the number of microfinance lenders in this state. The department shall publish on its publicly accessible website a report no later than July 1, 2022, detailing the department's findings and conclusions from the study, and recommendations the department determines would increase the number of microfinance lenders in this state. The department shall additionally provide a copy of the report to the chief clerks of the senate and house of representatives for distribution to the speakers and appropriate subject matter chairs, and to the legislative librarian.

SECTION 2. The department of economic and community development is authorized to promulgate rules to effectuate the purposes of act. The rules must be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in Tennessee Code Annotated Title 4, Chapter 5.

SECTION 3. For purposes of rulemaking, this act takes effect upon becoming a law, the public welfare requiring it. For all other purposes, this act takes effect July 1, 2021, the public welfare requiring it.